

1099 REMINDER

PRIME TECH INC.

FORM W-9

The Internal Revenue Service requires that you obtain W-9 forms when you make inventory and service purchases from a vendor. W-9 forms are used to prepare 1099/1096 returns.

This creates a paper trail that allows the IRS to catch vendors who do not report income and to prevent the claiming of illegitimate vendor expenses.

IRS Requirements

The IRS requires that you obtain a W-9 from every vendor from whom you purchase \$600 in labor and services or \$5,000 in direct sales, paid by cash or check. Credit card purchases are exempt from this requirement. It is recommended to

request the W-9 form **prior** to issuing payment to the vendor. You have to obtain this form only once from each vendor unless its business information has changed.

Consequences

The IRS has increased the penalties associated with failure to properly collect W-9 forms and furnish 1099 forms. As an employer you are ultimately responsible for these forms. See the table below for details on these changes.

Penalties per Return	Old Fines	New Fines	Maximum Penalty
Failure to timely file 1099 w/IRS but within 30 days of due date	\$50.00	\$30.00	\$250,000 for large businesses, \$75,000 for small businesses
More than 30 days but filed prior to 8/1		\$60.00	\$500,000 large business, \$200,000 small business
After 8/1		\$100.00	\$1,500,000 large business, \$500,000 small business
Willful disregard		\$250.00	No Max
Failure to timely furnish Payee statements		\$100.00	
Fraudulent Filings		\$5000.00 +	Damages payable to the person defrauded
*Small business = average annual gross income for prior 3 tax years is \$5 million or less.			

WHAT SHOULD YOU DO?

Please use the attached W-9 form (which is also available at IRS.gov) to request the required information from qualifying vendors. Please return the completed forms to Prime Tech Inc. via fax, email or mail as they are collected. Prime Tech can assist in identifying eligible vendors already paid in 2015 if needed; please contact our office if this is something you wish to request.

Thank you!

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